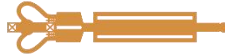




PARLIAMENT
OF THE CAYMAN ISLANDS



**PARLIAMENT OF THE
CAYMAN ISLANDS
2024-2025 Session**

**REPORT
of the
STANDING
PUBLIC ACCOUNTS COMMITTEE**

*on the Report of the
Office of the Auditor General:*

***FINANCIAL REPORTING OF THE CAYMAN ISLANDS
GOVERNMENT: GENERAL REPORT 31 DECEMBER
2023 (NOVEMBER 2024)***

Laid on the Table of Parliament on this day of

REPORT OF THE STANDING PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE OFFICE OF THE AUDITOR GENERAL

“Financial Reporting of the Cayman Islands Government: General Report 31 December 2023 (November 2024)”

1. REFERENCE

The Standing Public Accounts Committee (“PAC” or “the Committee”) of the Parliament of the Cayman Islands, established under Parliament Standing Order 77 (2024 Revision) and the Cayman Islands Constitution Order 87 (2009), met to consider the following Report of the Auditor General, hereinafter referred to as “the Report”:

- ***Financial Reporting of the Cayman Islands Government: General Report 31
December 2023 (November 2024)***

2. DOCUMENTS CONSIDERED

In accordance with the provision of Parliament Standing Order 77(3) (2024 Revision), the Committee considered the Report which was referred in the House of Parliament. The Committee also considered testimony provided in a public hearing to the Committee by the Port Director and Chairman of the Board, Port Authority of the Cayman Islands; Chief Officer, Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development; and CEO and Chairman of the Board, Cayman Islands Monetary Authority.

3. CHAIRMAN AND MEMBERS OF THE COMMITTEE

The following Members of Parliament are the present Members of the Standing Public Accounts Committee as of 23rd January, 2025:

- Mr. Roy M. McTaggart, JP, MP – *Chairman*
- Hon. Heather D. Bodden, JP, MP – *Member*
- Ms. Barbara E. Conolly, JP, NP, MP – *Member*
- Hon. Joseph X. Hew, MP – *Member*
- Hon. Dr. W. McKeeva Bush, JP, MP – *Member*
- Mr. Bernie A. Bush, MP – *Member*

The Clerk to the Committee was Ms. Tishel L. McLean.

4. MEETINGS OF THE COMMITTEE

The Committee held three (3) meetings to consider the Report and the Committee’s report on:

- 14th November, 2024 (Administrative Meeting)
- 23rd January, 2025 (Hearing)
- 23rd January, 2025 (Administrative Meeting)

5. ATTENDANCE OF MEMBERS

The attendance of Members at the meetings is recorded in the Minutes of Proceedings which are attached to and form part of this report.

6. PERSONS IN ATTENDANCE

In accordance with Standing Order 77(8), the following persons were in attendance at the meeting held with witnesses on 23rd January 2025:

- Ms. Sue Winspear – *Auditor General, Office of the Auditor General*
- Mr. Winston Sobers – *Deputy Auditor General (Financial Audit), Office of the Auditor General*
- Mr. Gabriel Ncube – *Audit Manager, Office of the Auditor General*
- Mr. John Leiya – *Audit Project Leader, Office of the Auditor General*
- Ms. Sasha Rochester – *Audit Project Leader, Office of the Auditor General*
- Mr. Ruel Huet – *Audit Manager, Office of the Auditor General*
- Mr. Kenneth Jefferson – *Financial Secretary, Chief Officer, Ministry of Finance and Economic Development*
- Mr. Matthew Tibbetts – *Accountant General, Ministry of Finance and Economic Development*

7. WITNESSES CALLED BEFORE THE COMMITTEE

In accordance with the provisions of Standing Order 77(4), the Committee invited persons to give information and explanations to assist the Committee in the performance of its duties. The following persons appeared before the Committee to give evidence on 23rd January 2025:

- Mr. Paul Hurlston: *Port Director, Port Authority of the Cayman Islands*
- Mr. Cline Glidden Jr.: *Board Chairman, Port Authority of the Cayman Islands*
- Mr. Eric Bush: *Chief Officer, Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development*
- Mrs. Cindy Scotland: *CEO, Cayman Islands Monetary Authority*
- Mr. Garth MacDonald: *Board Chairman, Cayman Islands Monetary Authority*

8. PRACTICE AND PROCEDURE OF THE COMMITTEE

The Committee agreed that in accordance with the provisions of Parliament Standing Order 77(6) (2024 Revision), all meetings at which witnesses were invited to provide information should be held in an open forum. This decision was taken to promote openness and accountability in Government.

9. GOVERNMENT MINUTE

The Public Accounts Committee wishes to draw Government’s attention to Parliament Standing Order 77 sub-order 7 (2024 Revision) which reads:

“The Government Minute shall be laid on the Table of the House within three months of the laying of the report of the Committee and of the report of the Auditor General to which it relates.”

The PAC expects the Government to honour the requirements of this Standing Order.

10. PAC OBSERVATIONS AND RECOMMENDATIONS

Per section seven of this report, the PAC heard from five witnesses at the Hearing held on 23rd January 2025: Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands; Mr. Cline Glidden Jr., Board Chairman, Port Authority of the Cayman Islands; Mr. Eric Bush, Chief Officer, Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development; Mrs. Cindy Scotland, CEO, Cayman Islands Monetary Authority; and Mr. Garth MacDonald, Board Chairman, Cayman Islands Monetary Authority

On review of the Auditor General’s Report, *Financial Reporting of the Cayman Islands Government: General Report 31 December 2023 (November 2024)*, together with critical analysis of witness testimony makes the following observations and recommendations, with recommendations noted in bold:

1. The PAC were not persuaded by the reasons given by the Chairman of the Port Authority of the Cayman Island about why so much was spent on the staff Christmas party. **The Committee recommend that in future years the Port Authority of the Cayman Islands hold a Christmas party where its costs are in line with the Government’s guidance on such events.**
2. The PAC were persuaded by the testimony of the two witnesses from the Cayman Islands Monetary Authority (CIMA) regarding their difficulties in implementing S47 (1) of the Public Authorities Act. The PAC noted the difficulty CIMA have with staff recruitment and retention and how important it was to the Cayman Islands’ economy that CIMA was properly staffed and functioned effectively. The PAC heard that a contract had been let for a market review of pay to be undertaken. **The Committee recommend that the Cayman Islands Government support the need for higher pay or market adjustments for CIMA’s staff to be awarded if this consultancy report evidences that need.**

11. WITNESS UNDERTAKINGS

Per section seven of this report, the PAC heard from five witnesses at the Hearing held on 23rd January 2025: Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands; Mr. Cline Glidden Jr., Board Chairman, Port Authority of the Cayman Islands; Mr. Eric Bush, Chief Officer, Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development; Mrs. Cindy Scotland, CEO, Cayman Islands Monetary Authority; and Mr. Garth MacDonald, Board Chairman, Cayman Islands Monetary Authority.

- a. The Port Director undertook to developing, documenting, and implementing a policy for staff acting arrangements.
- b. The Port Director undertook to ensuring that night shift workers are paid in accordance with their employment contracts.
- c. The Port Director undertook to enhancing the monitoring and management of staff time adjustments in the Port Authority’s time recording system. Future adjustments will require a managerial two-person sign-off to ensure accuracy.
- d. The Board Chairman of the Port Authority of the Cayman Islands undertook to ensuring that no non-executives (i.e. Board Members) act in Executive positions going forward
- e. The Board Chairman of the Port Authority of the Cayman Islands providing the Office of the Auditor General with financial documentation in relation to the Port Authority’s 2024 Christmas Party.
- f. The Board Chairman of the Port Authority of the Cayman Islands undertook to ensuring the implementation of a clear policy addressing staff contracts, work hours, and salary payments for night shift workers, in alignment with the Port Director’s undertakings.

12. ACKNOWLEDGEMENTS

The Committee is most appreciative of the efforts of the Auditor General and the staff of the Office of the Auditor General, for the constructive feedback given throughout the deliberations. The Committee wishes to express its thanks to the Port Director and Chairman of the Board, Port Authority of the Cayman Islands; Chief Officer, Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development; and CEO and Chairman of the Board, Cayman Islands Monetary Authority for their time in providing information and evidence to the Committee in an effort to continuously improve the work of the Cayman Islands Government and its entities.

The Committee also wishes to thank the Clerk of the Parliament, the PAC Clerk, and the Hansard staff for the assistance provided.

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13. REPORT OF THE COMMITTEE TO THE HOUSE

The Committee hereby agrees that this Report be the Report of the Standing Public Accounts Committee to the House on the following Report of the Office of the Auditor General:

- ***Financial Reporting of the Cayman Islands Government: General Report on the Results of the 2023 Financial Audits 31 December 2023 (November 2024)***

Approved by Round Robin on 31st January, 2025

Mr. Roy M. McTaggart
JP, MP - *Chairman*

Hon. Heather D. Bodden
OCI, Cert. Hon., JP, MP – *Member*

Hon. Mr. Joseph X. Hew
MP – *Member*

Ms. Barbara E. Conolly
JP, NP, MP – *Member*

Hon. Dr. W. McKeever Bush
JP, MP – *Member*

Mr. Bernie A. Bush
MP – *Member*



Parliament of the Cayman Islands

THE STANDING PUBLIC ACCOUNTS COMMITTEE

Round Robin

31st January 2025

We the undersigned Members of the Standing Public Accounts Committee hereby agree that the following report of the Standing Public Accounts Committee be approved and Laid on the Table in the next Meeting of Parliament, along with the accompanying report from the Office of the Auditor General:

- Report of the Standing Public Accounts Committee on the Report of the Office of the Auditor General, “Financial Reporting of the Cayman Islands Government: General Report 31 December 2023 (November 2024)”

Signed on 31st January 2025

Mr. Roy M. McTaggart, JP, MP
Chairman

Hon. Heather D. Bodden,
OCI, Cert. Hon., JP, MP
Member

Ms. Barbara E. Conolly, NP, JP, MP
Member

Hon. Mr. Joseph X. Hew, MP
Member

Hon. Dr. W. McKeeva Bush, JP, MP
Member

Mr. Bernie Bush, MP
Member



PARLIAMENT
OF THE CAYMAN ISLANDS



PARLIAMENT OF THE CAYMAN ISLANDS
STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

Administrative Meeting

2021-2025 Term

Thursday, 14th November, 2024 | 10:00 – 11:00 a.m.

PAC Members Present:

Mr. Roy M. McTaggart, JP, MP – *Chairman*
Hon. Heather D. Bodden, OCI, Cert. Hon., JP, MP – *Member*
Ms. Barbara E. Conolly, JP, NP, MP – *Member (via Zoom)*
Hon. Joseph X. Hew, MP – *Member*

Absent:

Hon. Dr. W. McKeeva Bush, JP, MP – *Member*
Mr. Bernie A. Bush, MP – *Member*

PAC Clerk:

Ms. Tishel McLean – *Parliamentary Procedural Clerk ("Committee Clerk")*

Attendees:

Mrs. Sue Winspear – *Auditor General, Office of the Auditor General*
Mr. Winston Sobers – *Deputy Auditor General (Financial Audit), Office of the Auditor General*
Ms. Angela Cullen – *Deputy Auditor General (Performance Audit), Office of the Auditor General*

1. Meeting to Order:

There being a quorum present, the Chairman called the meeting to order at 10:11 a.m. The Chairman said a word of prayer.

2. **Apologies:**

None.

3. **Approval of PAC Minutes:**

3.1. 5th September 2024 (Hearing): The Committee reviewed and discussed the minutes. **The minutes were approved on a motion by Hon. Heather Bodden and was seconded by Hon. Joseph Hew.**

3.2. 5th September 2024 (Administrative Meeting): The Committee reviewed and discussed the minutes. **The minutes were approved upon a motion by Hon. Heather Bodden and seconded by Hon. Joseph Hew.**

4. **Matters Arising from Minutes:**

4.1. Response from the Ministry of Education (5th September 2024 Hearing)

The Committee reviewed and discussed the response. No additional action is needed. The PAC Clerk has conveyed the Committee's gratitude to the Ministry of Education for providing the requested information.

5. **Approval of Auditor General's Invoices:**

Members of the Committee questioned the Auditor General on the invoices. The Chairman signed the invoices and provided them to the Committee Clerk.

5.1. Invoice #208080: The Committee approved the invoice on a motion by Hon. Heather Bodden which was seconded by Ms. Barbara Conolly.

5.2. Invoice #208103: The Committee approved the invoice on a motion by Hon. Heather Bodden which was seconded by Ms. Barbara Conolly.

6. **Response from the Cayman Turtle Centre (18th October 2024):**

6.1 The Committee reviewed and discussed the response. The Auditor General advised of her satisfaction with the improved financial management of Cayman Turtle Centre. The Committee looks forward to the completion of the 2023 audits.

7. **Response from the Judiciary (17th October 2024):**

7.1 The Committee reviewed and discussed the response and documentation received. No additional action is needed. The PAC Clerk conveyed the Committee's gratitude to the Judiciary for providing the requested information.

8. Auditor General's Reports:

8.1. "Financial Reporting of the Cayman Islands Government: General Report on the Results of the 2023 Financial Audits 31 December 2023 (November 2024)"

The Auditor General briefed the Committee on the report, noting the key matters. Discussion ensued. The Committee agreed to hold a hearing on the report with the following witnesses:

- i. **Mr. Mr. Paul Hurlston**, Port Director, Port Authority of the Cayman Islands;
- ii. **Mr. Cline Glidden Jr.**, Board Chairman, Port Authority of the Cayman Islands;
- iii. **Mr. Eric Bush**, Chief Officer, Ministry of Planning, Agriculture, Housing and Infrastructure;
- iv. **Mrs. Cindy Scotland**, CEO, Cayman Islands Monetary Authority;
- v. **Mr. Garth McDonald**, Board Chairman, Cayman Islands Monetary Authority.

8.2. "The Government's Approach to Sustainable Economic Development (November 2024)"

The Auditor General briefed the Committee on the report, noting the key matters. The Auditor General mentioned that the report was first sent to Parliament without management responses to the recommendations made because the Civil Service had been given over four months to respond and had not done so. A decision was taken to send the report to Parliament without responses so that it could be considered at this PAC administrative meeting. Now the management responses have been received, an updated version of the report had been issued to Parliament. Discussion ensued. The Committee agreed to hold a hearing on the report with the following witnesses:

- i. **Mr. Ken Jefferson**, Financial Secretary & Chief Officer, Ministry of Finance & Economic Development;
- ii. **Mr. Eric Bush**, Chief Officer, Ministry of Planning, Agriculture, Housing and Infrastructure.

9. Auditor General's Update:

9.1. Quarterly Report: Q3 2024 – as at 30 September 2024

The Auditor General briefed the Committee on the report. Discussion ensued.

The Auditor General advised the Committee that tabled Government minutes currently do not include formal responses to the OAG's recommendations, only the responses to the additional recommendations from the PAC. This is a departure from previous practice and not desirable as OAG recommendations become PAC recommendations when endorsed by the Committee. She requested for the Chair to write to the Deputy Governor regarding the matter, the Chair agreed.

10. PAC Reports for Review & Consideration:

10.1 PAC Report on the OAG Report, “Financial Reporting of the Cayman Islands Government: General Report on the Results of the 2023 Financial Audits 31 December 2023 (November 2024)”:

The Committee reviewed the PAC report. Discussion ensued. The Auditor General requested the following revisions be noted, to which the Committee agreed:

- i. Section 9: “and that includes responses to the Office of the Auditor General recommendations that the PAC endorses”.

Pending this and minor amendments, the Committee approved the PAC Report for Tabling in the next Meeting of the Parliament, upon a motion by Hon. Heather Bodden and seconded by Hon. Joseph Hew. The Committee Clerk agreed to make the necessary revisions as noted and will circulate a Round Robin for signature.

10.2 PAC Report on the OAG Report, “The Government’s Approach to Sustainable Economic Development (November 2024)”:

The Committee reviewed the PAC report. Discussion ensued. The Auditor General requested the following revision be noted, in which the Committee agreed:

- i. Section 9: “and that includes responses to the OAG recommendations that the PAC endorses”.

The Committee approved the PAC Report for Tabling in the next Meeting of the Parliament, upon a motion by Hon. Heather Bodden and seconded by Hon. Joseph Hew. The Committee Clerk agreed to circulate a Round Robin for signature.

11. Scheduling of Next Meetings:

11.1 The next *Hearing* was scheduled for **Tuesday, 10th December, 2024** starting at 10:00 a.m. that will include a briefing on the following Auditor General’s Reports:

- i. “Financial Reporting of the Cayman Islands Government: General Report on the Results of the 2023 Financial Audits 31 December 2023 (November 2024)”
- ii. “The Government’s Approach to Sustainable Economic Development (November 2024)”

11.2 The next *Administrative Meeting* was scheduled for **Wednesday, 8th January, 2025** at 10:00 a.m.

12. Any Other Business

12.2. None.

13. Adjournment

There being no further business, the Chairman thanked the Committee Members, the Auditor General and Deputy Auditors General, and the Committee Clerk, and adjourned the meeting at 11:30 a.m.

Approved by Round Robin on 9th December, 2024.



Parliament of the Cayman Islands

THE STANDING PUBLIC ACCOUNTS COMMITTEE

Round Robin

9th December 2024

We, the Members of the Standing Public Accounts Committee, hereby approve the following Minutes of the Standing Public Accounts Committee and agree that they be tabled in the House during the Second Meeting of the 2024-2025 Session of the Cayman Islands Parliament.

- Wednesday, 14th November, 2024 (Administrative Meeting)

Signed on 9th December, 2024

Mr. Roy M. McTaggart, JP, MP
Chairman

Hon. Heather D. Bodden,
OCI, Cert. Hon., JP, MP
Member

Ms. Barbara E. Conolly, NP, JP, MP
Member

Hon. Mr. Joseph X. Hew, MP
Member

Hon. Dr. W. McKeeva Bush, JP, MP
Member

Mr. Bernie Bush, MP
Member



PARLIAMENT
OF THE CAYMAN ISLANDS



PARLIAMENT OF THE CAYMAN ISLANDS
STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

Meeting with Witnesses
Thursday, 23rd January 2025
Chamber, House of Parliament

Hearing on the Report from the Office of the Auditor General:

***“FINANCIAL REPORTING OF THE CAYMAN ISLANDS GOVERNMENT: GENERAL
REPORT 31 DECEMBER 2023 (NOVEMBER 2024)”***

PAC Members Present:

Mr. Roy M. McTaggart, JP, MP – *Chairman*
Hon. Heather D. Bodden, OCI, Cert. Hon., JP, MP – *Member*
Ms. Barbara E. Conolly, JP, NP, MP – *Member*
Hon. Joseph X. Hew, MP – *Member*

Absent:

Hon. Dr. W. McKeeva Bush, JP, MP – *Member*
Mr. Bernie A. Bush, MP – *Member*

PAC Clerk:

Ms. Tishel L. McLean – *Parliamentary Procedural Clerk (“Committee Clerk”)*

Attendees:

Mrs. Sue Winspear – *Auditor General, Office of the Auditor General*
Mr. Winston Sobers – *Deputy Auditor General (Financial Audit), Office of the Auditor General*
Mr. Gabriel Ncube – *Audit Manager, Office of the Auditor General*
Mr. John Leiya – *Audit Project Leader, Office of the Auditor General*

Ms. Sasha Rochester – *Audit Project Leader, Office of the Auditor General*
Mr. Ruel Huet – *Audit Manager, Office of the Auditor General*
Mr. Kenneth Jefferson – *Financial Secretary, Chief Officer, Ministry of Finance and Economic Development*
Mr. Matthew Tibbetts – *Accountant General, Ministry of Finance and Economic Development*

Witnesses:

Mr. Mr. Paul Hurlston – *Port Director, Port Authority of the Cayman Islands*
Mr. Cline Glidden Jr. – *Board Chairman, Port Authority of the Cayman Islands*
Mr. Eric Bush – *Chief Officer, Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development*
Mrs. Cindy Scotland – *CEO, Cayman Islands Monetary Authority*
Mr. Garth MacDonald – *Board Chairman, Cayman Islands Monetary Authority*

1. MEETING TO ORDER & WELCOME FROM THE CHAIR:

There being a quorum present (Parliament Standing Orders 77(2) refers), the Chairman called the Public Accounts Committee (PAC) Hearing to order at 10:17 a.m. The Chairman invited Hon. Heather Bodden to say the prayer.

The Chairman gave a brief welcome, extending new year wishes to Members of the Committee and Attendees and thanked them for attending the PAC Hearing. The Chairman recognised that the Committee was still quorate and could proceed with the hearing.

2. REPORT OF THE AUDITOR GENERAL FOR CONSIDERATION:

The Chairman welcomed Mrs. Sue Winspear, *Auditor General, Office of the Auditor General*; Mr. Winston Sobers, *Deputy Auditor General (Financial Audit), Office of the Auditor General*; Mr. Gabriel Ncube, *Audit Manager, Office of the Auditor General*; Mr. John Leiya, *Audit Project Leader, Office of the Auditor General*; Ms. Sasha Rochester, *Audit Project Leader, Office of the Auditor General*; and Mr. Ruel Huet, *Audit Manager, Office of the Auditor General*. The Chairman invited the Auditor General to introduce the report.

The Auditor General introduced the report “*Financial Reporting of the Cayman Islands Government: General Report on the Results of the 2023 Financial Audits 31 December 2023 (November 2024)*” (the “Report”) for the listening public and the Committee, highlighting the key areas of concern. The Auditor General noted the roles of the members of her team who worked on the Report.

The Chairman provided a preamble before inviting the first witness to be seated in the Chamber for the first witness session.

i) WITNESS SESSION: MR. PAUL HURLSTON – PORT DIRECTOR, PORT AUTHORITY OF THE CAYMAN ISLANDS

The Chairman welcomed the first witnesses, Mr. Paul Hurlston, and reminded the witness to state his name and title before responding to the first question.

The Chairman provided a preamble and invited PAC Members to question the witness. Discussion ensued with questions being asked to the witness by the PAC Members.

1. The Port Director undertook to developing, documenting, and implementing a policy for staff acting assignments.
2. The Port Director undertook to reviewing and updating staff employment contracts to clarify working hours and salary payments for night shift workers.
3. The Port Director undertook to discussing and formalising the night pay rate with the Board of the Port Authority of the Cayman Islands and implementing a clear policy on this matter.
4. The Port Director undertook to enhancing the monitoring and management of staff time adjustments in the Port Authority's time recording system, ensuring future adjustments will require a managerial two-person sign-off for accuracy.

Before departing the Chamber, the Chairman thanked the witness on behalf of the Committee for attending the Hearing.

ii) WITNESS SESSION: MR. CLINE GLIDDEN, JR. – BOARD CHAIRMAN, PORT AUTHORITY OF THE CAYMAN ISLANDS

The Chairman welcomed the second witnesses Mr. Cline Glidden, Jr., and asked him to state his name and title for the record before answering the first question addressed to him.

The Chairman invited Members to question the witnesses. Discussion ensued with questions being asked to the witness by the PAC Members.

1. The Board Chairman undertook to provide the Office of the Auditor General with financial documentation in relation to the Port Authority's 2024 Christmas Party.
2. The Board Chairman undertook to ensuring the implementation of a clear policy addressing staff contracts, work hours, and salary payments for night shift workers, in alignment with the Port Director's undertakings.

Before departing the Chamber, the Chairman thanked the witness on behalf of the Committee for attending the Hearing.

iii) WITNESS SESSION: MR. ERIC BUSH – CHIEF OFFICER, MINISTRY OF PLANNING, AGRICULTURE, HOUSING, INFRASTRUCTURE, TRANSPORT AND DEVELOPMENT.

The Chairman welcomed the third witness, Mr. Eric Bush, and asked him to state his name and title for the record before answering the first question addressed to him.

The Chairman invited Members to question the witnesses. Discussion ensued with questions being asked to the witness by the PAC Members.

Before departing the Chamber, the Chairman thanked the witness on behalf of the Committee for attending the Hearing.

iv) WITNESS SESSION: MRS. CINDY SCOTLAND – CAYMAN ISLANDS MONETARY AUTHORITY

The Chairman welcomed the fourth witness, Mrs. Cindy Scotland, and asked her to state her name and title for the record before answering the first question addressed to her.

The Chairman invited Members to question the witnesses. Discussion ensued with questions being asked to the witness by the PAC Members.

Before departing the Chamber, the Chairman thanked the witness on behalf of the Committee for attending the Hearing.

v) WITNESS SESSION: MR. GARTH MACDONALD – CAYMAN ISLANDS MONETARY AUTHORITY

The Chairman welcomed the fifth witness, Mr. Garth MacDonald, and asked him to state his name and title for the record before answering the first question addressed to him.

The Chairman invited Members to question the witnesses. Discussion ensued with questions being asked to the witness by the PAC Members.

Before departing the Chamber, the Chairman thanked the witness on behalf of the Committee for attending the Hearing.

3. Any Other Business:

None.

4. Adjournment:

There being no further business, the Chairman thanked the PAC Members, the Auditor General and her team, the Financial Secretary and Accountant General, the witnesses, and the Parliamentary Procedural Clerk.

The Hearing was adjourned at 12:28 p.m.

Approved by Round Robin on 31st January, 2025.



PARLIAMENT
OF THE CAYMAN ISLANDS



PARLIAMENT OF THE CAYMAN ISLANDS
STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

Administrative Meeting

2021-2025 Term

Thursday, 23rd January, 2025 | 4:00 – 5:00 p.m.

PAC Members Present:

Mr. Roy M. McTaggart, JP, MP – *Chairman*
Hon. Heather D. Bodden, OCI, Cert. Hon., JP, MP – *Member*
Ms. Barbara E. Conolly, JP, NP, MP – *Member*
Hon. Joseph X. Hew, MP – *Member*

Absent:

Hon. Dr. W. McKeeva Bush, JP, MP – *Member*
Mr. Bernie A. Bush, MP – *Member*

PAC Clerk:

Ms. Tishel McLean – *Parliamentary Procedural Clerk ("Committee Clerk")*

Attendees:

Mrs. Sue Winspear – *Auditor General, Office of the Auditor General*
Ms. Angela Cullen – *Deputy Auditor General (Performance Audit), Office of the Auditor General*

1. Meeting to Order:

There being a quorum present, the Chairman called the meeting to order at 3:18 p.m.

2. Apologies:

None.

3. Approval of PAC Minutes:

3.1. 14th November 2024 (Administrative Meeting): The Committee noted that the minutes were approved by Round Robin on 9th December 2024.

4. Matters Arising from Minutes:

4.1. Per item #9 of the minutes, the PAC Clerk confirmed the letter was sent to the Deputy Governor but a response was not yet received. The Chairman directed the PAC Clerk to continue following up with the Deputy Governor.

5. Approval of Auditor General's Invoices:

Members of the Committee questioned the Auditor General on the invoices. The Chairman signed the invoices and provided them to the Committee Clerk.

5.1. Invoice #208015 and #208148: The Committee approved the invoices on a motion by Ms. Barbara Conolly and seconded by Hon. Heather Bodden.

6. Auditor General's Reports:

6.1. "The Integrated Solid Waste Management System for the Cayman Islands (ReGen) – as at October 2021 (January 2025)"

The Auditor General briefed the Committee on the report, noting the key matters. Discussion ensued and the Committee resolved not to proceed with a Hearing or Tabling of the report.

7. Auditor General's Update:

The Auditor General provided an update to the Committee on the activities of the Office of the Auditor General (OAG).

7.1. Auditor General Recruitment: The Auditor General stated that her role remains unfilled, and the recruitment process will be restarted this month.

8. PAC Reports for Review & Consideration:

8.1. 2023-2024 Annual Report of the Standing Public Accounts Committee:

The Committee reviewed the PAC report and discussion ensued. The Committee requested the following revisions be noted, to which the Committee agreed:

- i. Section 6 iii: Remove wording “2. OAG Supreme Audit Institution External Assessment Report – 9th November 2023” and “3. OAG Remuneration of the Cabinet, Judiciary, MPs and Key Management Personnel within the Civil Service in 2022 – 22nd November 2023”.

Pending this and minor amendments, the Committee approved the PAC Report for Tabling in the next Meeting of the Parliament, upon a motion by Ms. Barbara Connolly and seconded by Hon. Heather Bodden. The Committee Clerk agree to make the amendments and the Chairman signed the signature page.

8.2. PAC Report Preparations

The Chairman asked the Committee Clerk to begin drafting the PAC Reports based on the morning’s Hearings, which will be approved via round to facilitate Tabling of the reports at the next meeting of Parliament. Given that a new PAC Committee will be constituted following the 2025 general election, these reports are being prepared to ensure that the recommendations of the OAG are properly documented and submitted to the House of Parliament. The Committee Clerk agreed to begin drafting the PAC Report on the following OAG’s Reports:

- Financial Reporting of the Cayman Islands Government: General Report on the Results of the 2023 Financial Audits 31 December 2023 (November 2024)
- The Government’s Approach to Sustainable Economic Development (November 2024)

9. Scheduling of Next Meetings:

9.1. The next *Administrative Meeting* was scheduled for **Wednesday, 12th February, 2025 at 11:00 a.m.**

10. Any Other Business

10.1. None.

11. Adjournment

There being no further business, the Chairman thanked the Committee Members, the Auditor General and Deputy Auditor General, and the Committee Clerk, and adjourned the meeting at 4:06 p.m.

Approved by Round Robin on 31st January, 2025.



Parliament of the Cayman Islands

THE STANDING PUBLIC ACCOUNTS COMMITTEE

Round Robin

31st January 2025

We, the Members of the Standing Public Accounts Committee, hereby approve the following Minutes of the Standing Public Accounts Committee and agree that they be tabled in the House during the Third Meeting of the 2024-2025 Session of the Cayman Islands Parliament.

- Wednesday, 23rd January 2025 (Hearing on OAG Report: *Financial Reporting of the Cayman Islands Government: General Report 31 December 2023 (November 2024)*)
- Wednesday, 23rd January 2025 (Hearing on OAG Report: *The Government's Approach to Sustainable Economic Development (November 2024)*)
- Wednesday, 23rd January 2025 (Administrative Meeting)

Signed on 31st January 2025

Mr. Roy M. McTaggart, JP, MP
Chairman

Hon. Heather D. Bodden,
OCI, Cert. Hon., JP, MP
Member

Ms. Barbara E. Conolly, NP, JP, MP
Member

Hon. Mr. Joseph X. Hew, MP
Member

Hon. Dr. W. McKeever Bush, JP, MP
Member

Mr. Bernie Bush, MP
Member



PARLIAMENT
OF THE CAYMAN ISLANDS



PARLIAMENT OF THE CAYMAN ISLANDS
STANDING PUBLIC ACCOUNTS COMMITTEE

Financial Reporting of the Cayman Islands Government:
General Report 31 December 2023 (November 2024)

*Official transcript relating to the Official Report of the
Standing Public Accounts Committee Meeting
held on 23 January, 2025*

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PRESENT WERE:

PAC Members: Mr. Roy M. McTaggart, JP, MP, Chairman
Hon. Joseph X. Hew, MP, Member
Ms. Barbara E. Conolly, NP, JP, MP, Member
Hon. Heather D. Bodden, OCI, Cert. Hon., JP, MP, Member

Audit Office: Mrs. Sue Winspear, Auditor General
Mr. Winston Sobers, Deputy Auditor General for Financial Audit
Mr. Gabriel Ncube, Audit Manager
Ms. Sasha Rochester, Audit Project Manager
Mr. John Leiya, Audit Project Manager
Mr. Ruel Huet, Audit Manager

Witnesses: Mr. Paul Hurlston
Port Director, Port Authority of the Cayman Islands

Mr. Cline Glidden Jr.
Board Chairman, Port Authority of the Cayman Islands

Mr. Eric Bush
Chief Officer, Ministry of Planning, Agriculture, Housing,
Infrastructure, Transport and Development – (MPAHITD)

Mrs. Cindy Scotland
Chief Executive Officer, Cayman Islands Monetary Authority

Mr. Garth MacDonald
Board Chairman, Cayman Islands Monetary Authority

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer,
Ministry of Finance and Economic Development *and* Ministry of Health

In attendance: Mr. Matthew Tibbetts
Accountant General
Ministry of Finance and Economic Development – (MFED)

Absent: Hon. W. McKeever Bush, MP, Member
Mr. Bernie A. Bush, MP, Member

PAC Clerk: Ms. Tishel McLean

**OFFICIAL VERBATIM REPORT
STANDING PUBLIC ACCOUNTS COMMITTEE
THURSDAY
23 JANUARY, 2025
10:17 A.M.**

**FINANCIAL REPORTING OF THE CAYMAN ISLANDS GOVERNMENT:
GENERAL REPORT 31 DECEMBER 2023 (NOVEMBER 2024)**

Verbatim transcript of the Standing Public Accounts Committee Meeting held on Thursday, 23rd January, 2025, at 10:17 a.m., in the Chamber of the House of Parliament; George Town, Grand Cayman.

[Mr. Roy M. McTaggart, Chairman, presiding]

The Chairman: Good morning everyone. I'd like to call this meeting of the Public Accounts Committee (PAC) to order. I note that we are quorate, so we can proceed to hold the Hearing this morning.

We are here to examine a report issued by the Auditor General's Office that is entitled '*Financial Reporting of the Cayman Islands Government: General Report on the Results of the 2023 Financial Audits 31 December 2023 (November 2024)*'.

As is our practice, we will have a prayer at this time, and I have asked Ms. Heather Bodden if she would lead us in that prayer.

Hon. Heather Bodden: Thank you, Mr. Chairman. Good morning, let us pray.

Our kind heavenly Father, we pause with grateful hearts and bow our heads in reverence to give you thanks for another beautiful day. Thank you for waking us up this morning. Lord, thank you for all of your mercies, they never cease to amaze us every day. As we begin our day, we ask you to calm our minds and bring comfort to our hearts. We ask for your guidance, wisdom; place in our hearts, peace and understanding and keep us all in your care, for all this we ask in your great Name's sake. Amen.

The Chairman: Thank you, Ms. Heather.

We have not had apologies from other members who are not here this morning. At this time, I would like to welcome the Auditor General, Ms. Sue Winspear and her team to the Chamber. She's accompanied this morning by Mr. Winston Sobers, who is the Deputy Auditor General, as well as a number of other managers and senior project leaders in the Auditor General's Office. I say a very warm welcome to you all this morning, glad to have you.

We also want to recognise Mr. Kenneth Jefferson, who is the Financial Secretary and Chief Officer in the Ministry of Finance and Economic Development; and Mr. Matthew Tibbetts, the Accountant General. Welcome to you all. Let me also say Happy New Year to everyone; I hope that 2025 will be a very successful

year for us all, and that we'll enjoy good health and prosperity.

Auditor General, I'm going to invite you to introduce the report at this time, after which we will begin questioning the witnesses that are appearing before us this morning. Over to you, Auditor General.

OFFICE OF THE AUDITOR GENERAL

Mrs. Sue Winspear, Auditor General, Office of the Auditor General: Mr. Chairman, Members of the Public Accounts Committee, officials from the Ministry of Finance, my colleagues, ladies and gentlemen: good morning, and also Happy New Year to everybody. Thank you for the opportunity to make some opening remarks.

The report we are considering today, is our General Report based on the 2023 entity financial audits of Government. We also touch upon the consolidated Entire Public Sector (EPS) account. The report gives all the results of the 2023 audits concluded by the 30th September last year, and draws out the significant audit matters; by that date, I am delighted to say that 39 out of 46 audits had been concluded and, more importantly, that all audits received a clean or unqualified audit opinion.

One more audit, Cayman Airways', was concluded after the 30th September, to which I also gave a clean audit opinion; however, despite the clean audit opinions, which is great, the quality of the financial submissions to my office needs improvement. I'll now briefly highlight the main areas of concern that were found through undertaking the 2023 entity audits.

Firstly, I have concerns about the quality of some entities' financial reporting. For the 39 audits reported on, over 360 audit adjustments were made, and these adjustments were valued at \$354 million, so you can see that there's a potential concern about decision-making and being affected by poor information.

There continues to be a reluctance to disclose subsequent events and commitments in sufficient detail in the financial statements. Also, there are often inadequate explanations given to budget variations which

are required by auditing standards, and all these are things that the public is really interested in.

There continue to be aspects of non-compliance with the Procurement Act, and of course it's concerning, but the procurement across the public service has improved markedly in recent years and we mustn't forget that. Of course, whenever we find areas of non-compliance, it does concern us, and we found examples of procurements over \$250,000 that did not have the approval of the Public Procurement Committee, and goods and services over \$100,000 that were procured without any tendering. This continues to raise concerns about value for money being received.

Three Statutory Authorities and Government Companies (SAGCs) have yet to implement section 47 of the Public Authorities Act, which for many years has been subject to implementation and has been problematic, but has been implemented in all of the others—that is about aligning the pay of the Statutory Authority or Government Company with that of the Civil Service. I know one witness today will be asked about that.

I also remain concerned that additional payroll costs associated with complying with the Public Authorities Act, particularly when it comes to public and statutory authorities having similar pension and health care provisions which aren't budgeted for—that is of concern.

Finally, I want to talk about the financial performance of public bodies; of the 18 core government audits completed, 11 Ministries, portfolios and offices recorded a surplus, 6 broke even and 1 recorded a deficit, but when you come to the 21 SAGCs, which are expected to at least break-even or make a profit, only 12 recorded surpluses, 2 broke even and 7 made deficits.

Finally, I'd like to say that today I've issued to Parliament an updated version of the report which makes changes to paragraph 57. It relates to the Cayman Islands National Attractions Authority. It makes changes to the wording around our procurement concern, and removes the second bullet point from that paragraph which relates to the \$9.5 million fit-out costs for the new premises in Cricket Square that CIMA [Cayman Islands Monetary Authority] have occupied. We have accepted that it was all part of the lease agreement for the new premises, and therefore, is exempt from tendering under the Procurement Act.

Thank you, Mr. Chairman, and thank you for introducing my team who are here to support. As this summarises our work for the whole year, it's something that every single member of our office gets involved with. I'm grateful that you've allowed so many of my team members, Gabriel, Sasha, John, and Ruel as well, to be with me today, and we stand ready to support you through the Hearing.

Thank you.

The Chairman: Thank you, Auditor General.

Before we bring our first witness, I listened intently to your introduction. The points that you elaborated on, we could just as well have been talking about 2021 and 2022 audits. The point I want to make, is that these points seem to be occurring every year. I want to, maybe, get your take for reasons why such is the case, and why there doesn't appear to be much of an improvement, if you do have anything that you can offer.

Mrs. Sue Winspear, Auditor General, Office of the Auditor General:

Thank you, Mr. Chairman, that's an excellent question. I probably should have covered it a little more in my opening remarks. We've had the Deputy Governor, the Financial Secretary and other senior government officials along in past years to answer to these thematic things. The Deputy Governor, in particular, has always said, *"Well you need to ask the entities, you need to ask the entities"* so, as I'm sure you'll say in your introduction, this year we are asking a small number of entities about these things.

We also have government minutes outstanding which make recommendations around these things, and I hope there will be improvements. Whilst the themes do endure and continue—and I'm particularly concerned about the number of adjustments and the quality of financial submissions because it is something that I don't think is getting that much better. I mean, there are many really good submissions, but there are too many that aren't; but things like procurement and the Public Authorities Act, although there are still themes and issues, the position has improved over time.

We're in a position now, where we only have three bodies that haven't complied with the Public Authorities Act. It might seem like there are many examples of non-compliance with the Procurement Act, but when you consider the magnitude by value and volume of procurements, that the public service does, it's actually a relatively small number, and since the Procurement Act has come in, it has improved procurement in the public service markedly. I hope that helps.

The Chairman: It certainly does, thank you very much.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development and Ministry of Health:

Mr. Chairman, with your permission, I would like to add just a few, quick thoughts.

The Auditor General and I had a very glancing discussion a while back, particularly on the audit adjustments, and she's quite right; it is very concerning if you have audit adjustments being necessary after the submission of financial statements to her Office for auditing that exceeds \$300 plus million dollars. That's extremely significant.

I've also said to the Deputy Governor that that's not the way things should be, and if those adjustments had not been made, maybe we wouldn't be talking

about clean audit opinions at all. He's aware of it, and I'm going to do my level best to have a high level discussion with Chief Officers as well.

Thank you, sir.

The Chairman: I thank you for that elucidation, Financial Secretary.

Okay, we want to move on and at this time I'd like to invite our first witness to enter the Chamber. He is Mr. Paul Hurlston, Port Director.

[Long pause]

The Chairman: Good morning, Mr. Hurlston. I thank you for appearing before the Committee this morning to answer some questions for us with regard to the Auditor General's report. When I ask you a question sir, I'd be grateful if for the first question you state your name and your position for the record, so that it's recorded properly in the *Hansard*, but before I actually ask you any questions, I would like to just make a brief statement, an opening preamble to set the stage for the questioning this morning.

The Auditor General's report summarises the financial results and audit opinions of public bodies for the year ended December 31st, 2023. The report also provides other information about the financial health of public bodies. While all 2023 audits completed to date have received a clean or unqualified audit opinion, the Auditor General has raised thematic concerns in her report. These issues include poor quality financial submissions, the high number and value of audit adjustments, and non-compliance with various Acts, including the Procurement Act, the Public Authorities Act and the Public Management and Finance Act.

In past years, the PAC has invited the Deputy Governor, Financial Secretary, and other senior officials to discuss these thematic issues; however, this year, the PAC has decided to invite witnesses from several entities to discuss these matters. Those witnesses will be from the Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development, the Cayman Islands Monetary Authority, and the Port Authority of the Cayman Island.

I welcome and thank you, Mr. Director, for being here today and I will begin the line of questioning in regard to the evidence which you will give this morning before the Committee. The first area I wanted to explore with you, Mr. Hurlston is the financial performance of the Port Authority.

I have to go on record saying that we are pleased that the Port Authority got a clean audit opinion for 2023 and we do congratulate you on that; however, we note that the Port Authority had a number of internal control matters raised. We would like to ask you about some of them this morning but before we do, I would like to ask you about the Port Authority's financial performance. Exhibit 20 on page 38, shows that the Port

Authority made losses in three of the past five years, including a loss of just over \$3 million in 2023.

Mr. Hurlston, my first question to you is whether you could give us some explanation for the reported losses in 2023.

PORT AUTHORITY OF THE CAYMAN ISLANDS

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Good Morning, my name is Paul Hurlston, I am the Port Director.

Mr. Chairman, the losses in 2023 were mainly because of a re-evaluation of our defined benefits. As you know, they have to be revalued every year and, unfortunately, in 2023 they went down. The second reason is that our cost went up post-COVID and our revenues haven't been increased in terms of fees for about sixteen years— though I should say now, that we have had an increase in 2024, so that will affect it going forward. Those are the main two reasons why we have a book loss. We did make an operating surplus of about \$1 million.

The Chairman: Thank you, sir, for that response.

It just seems to me, looking back over the years, that there are quite significant fluctuations from year to year in terms of the Port's financial results. There's a loss in one year, like in 2023, and if what I've seen is correct, there was a profit in 2022; things seem to move up and down quite significantly. To what do you attribute those variations year-on-year?

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Mr. Chairman, it's mainly the defined benefits, I'm made to understand. As you will know, in 2022 we made a profit of \$16 million, in 2021 it was \$11 million, and in 2020 it was almost a \$12 million loss. These are the re-valuations of our defined benefits.

The Chairman: Are there any other issues or items that are impacting on that bottom line number?

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Mr. Chairman, also in 2023, we had a re-valuation of our properties, mainly the Royal Watler [Cruise Terminal] which is commercial, and the value of it went down by some \$3 million.

[Inaudible interjection]

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Sorry, \$300,000; not \$3 million.

There was a revaluation of the property done by Lands and Survey and it was valued less at that time.

The Chairman: For the benefit of the listening public and those who may watch afterwards: What was the

defined benefit amount that flowed through to the statement of operations— in other words, hit the income statement for 2023?

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Mr. Chairman, it's \$3.8 million.

The Chairman: Do you have a comparative, for, say, 2021 or 2022? I'm just trying to get a feel for just how big these numbers are year-on-year.

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: It was \$15 million through 2022 and—

The Chairman: So— go ahead, sir.

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: In 2021 it was \$750,000, so you do see there's a big fluctuation, yes.

The Chairman: What I'm getting at... on the numbers you identified in 2022, you say it was like a \$15 million hit.

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Yeah.

The Chairman: Yet you still managed to make a significant profit in 2022?

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Yeah, it was a \$16 million profit in 2022.

The Chairman: Being the accountant, I am struggling to understand. To me, there have to be some other reasons why these losses appear from time to time, and why the fluctuations are so great. I think if you're ignoring that, the Port Authority would have had a \$30 million surplus in 2022; and if you look at 2023, the effect of it would have been about a break-even position in terms of the adjustment to reflect the valuation of the liabilities.

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Mr. Chairman, a correction there. In 2022, you said "the hit", but the gain was \$15 million from the defined benefits, that's why we had a profit. Sorry.

The Chairman: Okay; it wasn't a gain. I get you now.

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: When you said hit the bottom line, it was actually +15, not negative.

The Chairman: Thanks for the clarity.

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Sorry about that.

The Chairman: Okay, I do appreciate that.

Mr. Hurlston, I'm going to move on and talk about the audit control points. The first area I want to focus on is the staff's "acting" arrangements. The report summarises internal control deficiencies in Appendix C, and one of the internal control points raised by the audit relates to staff acting arrangements. We, (the Committee), understand that the Port Authority does not have a policy for acting arrangements.

Can you tell us why the Port wouldn't have one as part of its operations manual?

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Mr. Chairman, I would say that the number of acting positions the Port experienced over the last four years was unprecedented. From what I understand the general policy is 12 months, however, for whatever reasons, these seem to not have been dealt with in the time frame. I think it's a government policy in general.

However, I can say now that the acting positions (except one junior position) have all been filled at this stage since I came back to the Port. It's something that we would have to look at. Perhaps have a defined policy and implement that any future "acting" would be within a reasonable time frame, and not extended over a long period of time.

The Chairman: Mr. Hurlston, do you know how many people are actually on acting arrangement at this time at the Port?

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: There's just one, a junior staff that will be dealt with shortly.

The Chairman: Can we get a commitment, at least from you, that you will take on the issue by developing an acting policy and actually documenting it as part of your manual?

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: I do undertake to do so; and not only to develop the policy, but also to make sure that it's followed. In the real world there should be a limited amount of acting, so it's very unfortunate that the Port had to go through this for such a long time but I will commit to do so. Thank you.

The Chairman: I thank you for such a positive response to that. I think it really does come down to just purely good governance and we are keen to see that all government entities, not just the Port, excel in terms of their active acting and employing good governance practices, so I thank you for that, sir.

I'm going to turn things over now to Miss Barbara Conolly who will continue with the questioning.

Ms. Barbara E. Conolly, Deputy Leader of the Opposition: Thank you, Mr. Chairman, and thank you Mr. Hurlston for appearing here today as one of our witnesses.

We now move on to discussing the night shift workers who are paid at time and a half for hours worked, contrary to their employment contracts. We note that this is a complex and historic issue, but the situation needs to be regularised in some way so that staff are paid in accordance with their employment contracts. Can the witness provide this Committee with the reasons or conditions that led to this historic situation?

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Mr. Chairman, as you all may know, night shift operations go back about 20 years and when it was put in place back in those days (I was a part of it) there were no rules or anything that we could look at to see how it could be done, or should be done, so we had to come up with our own rules and regulations to do it. At that time, one of the things that the Board approved was that if workers worked at night they would be paid at a higher rate, which turned out to be time and a half. That is what they approved.

When we put the first shift system in place, we had people, the same persons, working both night and day. At that time, it was difficult to adjust their contracts to any specific amount because they were working both night and day and irregular hours because we were just trying to get a system working as we were told to do. The Chairman of the Board tasked me with that position as Port Director.

Anyway, over the years we changed to a system where we had people just working at night, so we knew what their salary would be, and then the day shift was totally different; that went on for about twelve years. Several years ago, it was changed back to the old system where people work both day and night—[but] contracts weren't changed. Then in 2022, it was again changed to the old system where you have people who just work at night and people just work during the day. Unfortunately, again, the contracts were not updated. *I will give you an undertaking that since we're sort of settled down and hopefully this particular shift system will stay in place for a longer period of time, we will go through each contract and update them.*

I think we'll also probably take it to the Board to have a policy or an agreement on the night pay rate, whatever it should be; if it's to continue then we should have a clear vote on it, because I think years ago when we did it, it was not really clear even though it was agreed to. The documentation for it was a bit lacking to be honest. I think that's the way forward. We will do it; we will straighten it up and have a Board policy on it.

Ms. Barbara E. Conolly: Thank you, Mr. Hurlston.

Do you have staff currently that are working both day and night?

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Yes and no. We have a set of staff that work exclusively at night, but in the event that they are short-staffed we do call people in. For example, we have to call in some of the day shift if we need forklift operators or whatever so, yeah, we do have a few people that work day and night.

Ms. Barbara E. Conolly: Thank you, sir.

Many of you know that I believe in time frames. I would like some undertaking from you that you will take a policy to your Board, in terms of regularising the situation with regard to staff working in the night and in the day and what sort of payment or salary they should be getting at that time.

Thank you, sir.

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Mr. Chairman, through you, *I do take the undertaking and I will get it done as soon as possible.*

Ms. Barbara E. Conolly: Okay, moving on. We would like to discuss the system used to record staff time for payment purposes for waged employees. The auditors have reported that the system lacks robust controls and that supervisors are allowed to adjust hours manually. This creates a risk of potential overstatement or manipulation of hours worked.

Can the Director advise us as to what plans you have to address the control risk in this system?

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Mr. Chairman, through you.

I think this goes into talking about the night operations again in terms of adjusting hours. There will always be adjusting of certain hours for whatever reasons, people forget to punch or whatever. It was done at the supervisor level, however, we have managers in place now and also a new Deputy Director of Operations, *so I do undertake that there will be more robust signing-off on the changes for whatever adjustments have been made.*

Like I said, there will be adjustments made, that's just the nature of our job, but I agree that we need to be more thorough in the way we do it and we will.

Ms. Barbara E. Conolly: Thank you, Mr. Director.

Currently, do you have an in/out punch-in system in terms of times for your staff? Also, can you give us some assurances that the systems are in place, or there will be systems in place, to mitigate these control risks?

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Mr. Chairman, again through

you, yes, we have time clocks. Unfortunately, for whatever reason sometimes people don't punch or forget to punch out, so that is when the manual entry is made. It's done at the supervisor level, but what we will do is have the managers and then the Deputy Director of Operations be a part of it too, as a second signature for the adjustments.

It's mainly adding back hours; if someone forgot to punch then the clock says he didn't work, but we know they worked so the supervisor who's on duty is able to change it but we will put a better system in place to enhance it.

Ms. Barbara E. Conolly: Thank you for that explanation, but I think you have to have some sort of system in place, because you're just taking people's word, or the supervisor's word. I think there has to be some systems in place to be able to control your staff and the hours that they actually work.

Thank you very much.

The Chairman: Mr. Hurlston, that concludes our examination of you as a witness this morning. I want to thank you for your appearance and thank you for the candid way that you have answered the questions.

What I will say is that you've given us a number of commitments. These are recorded for us as a Committee, and what will happen in the future is that the Auditor General will look at these things and see whether they actually have been accomplished and done. I would hope, with the commitments that were made, that whoever is in this Chair questioning you next year, can look back and say happily, yes you did accomplish and implement the commitments that you gave to this Committee today.

I thank you very much for your testimony.

Mr. Paul Hurlston, Port Director, Port Authority of the Cayman Islands: Mr. Chairman, I'd like to thank you all too. Like you said, I don't know if I'll be here either so— Anyway, the commitments that I made, will be carried out.

Thank you.

The Chairman: Thank you sir.

[Pause]

The Chairman: I'd like to summon the next witness to enter the Chamber. I'd like to call Mr. Cline Glidden, Chairman of the Port Authority.

[Pause]

The Chairman: Good morning Mr. Glidden, welcome to this Hearing of the Public Accounts Committee. Thank you for attending as a witness in your capacity as Chairman of the Board of Directors of the Port Authority of the Cayman Islands. When I ask you your first question, sir, I'd appreciate if you state your name and

position so that we will have a proper record of it in the *Hansard*; before I ask you, though, I'd just like to make a very short statement as well.

As we said to the Port Authority [sic Director] just minutes ago, we are really pleased that the Port Authority got a clean or unqualified audit opinion for 2023, and I congratulate you all on that, however, we note that the Port Authority had a *number* of audit matters raised, and we'd like to ask you about some of these today.

The first area I want to examine with you is the Port Authority's financial performance. I welcome your thoughts this morning on their performance before we discuss a few audit findings. Exhibit 20 on page 38 shows that the Port made losses in three of the past five years, including a loss of just over \$3 million in 2023. I'd like to hear your views on the reasons or explanations for the loss made in 2023, and whether the Board expected it.

BOARD OF DIRECTORS - PORT AUTHORITY OF THE CAYMAN ISLANDS

Mr. Cline Glidden Jr., Board Chairman, Port Authority of the Cayman Island: Thank you so much Mr. Chairman. My name is Cline Glidden, I'm the Chairman of the Port Authority and I thank you for the opportunity to be able to appear as a witness today.

In regards to the comments that were made, I was able to listen from outside and I think that our Director clarified the position from a loss and from a book loss— not being the accountant, but knowing that you are, I'm sure we are conscious of the difference.

If we look at the evidence on page 39, we'll see a level of consistency in terms of revenue and so I think that's a clearer representation. Assuming that we don't have any unplanned expenditures, then we will see that there's been a stable increase which would be reflective of population growth and imports continuing to increase. We'll see the slow-down during the COVID period which would appear to correlate quite well with the revenue and expenses, and therefore, the explanation that was provided in regards to the reason for the on-paper loss was some actuarial reviews which we don't have any way of controlling.

Good news is that the Board gave a detailed report and proposal to the Government to allow for some increases in 2024 which was approved after discussion with the public in regards to ensuring that there were no significant increases to the cost of living for the country. With the Government's approval of that, we're looking forward to increased financial performance of the Port Authority during this coming year.

The Chairman: Okay, this is my understanding, I just wanted to raise it with you as well.

Port Authority made a loss of \$3.13 million in 2023; I believe, if I've heard correctly, that included an increase in provisions for employee benefits of around \$3 million. In effect, it seems for that year, give or take, there was a break-even position, if you ignore it. It's not right to ignore it, but the point I want to make here is, it seems in 2022 as well, a profit of \$16 million was recognised on the basis that there was a \$15 million decrease movement in the provision for the employee benefits. I think I've got it right in terms of my description of the line item that it is affected, but I don't have the audited statements here in front of me...

Mr. Cline Glidden Jr, Board Chairman, Port Authority of the Cayman Island: Mr. Chairman, if I could help.

The Chairman: Yeah.

Mr. Cline Glidden Jr, Board Chairman, Port Authority of the Cayman Island: I think you're correct. I think we saw \$15 million movement from the \$16 million before, and basically the break-even position is around a profit of \$1 million per year— so the \$15 million to \$16 million and the \$3 million to \$3.1 million. Then they made mention of another loss and adjustment in the valuation of property in 2023 as well. If we took those fluctuations from the contribution, it would be around \$1 million dollars per year in profit for the Port Authority.

The Chairman: Okay, it's been well over a dozen years that I've been out of the accounting profession, but does the fixed asset valuation actually flow straight through to the bottom line— or does it go straight to equity?

Mr. Winston Sobers, Deputy Auditor General: Mr. Chair, through you, Winston Sobers, Deputy Auditor General.

Yes; [regarding] the revaluation of the property, when investment property is revalued annually it flows through the Profit and Loss and impacts the bottom line too.

The Chairman: Okay, thanks for the clarity.

Mr. Glidden, let me move on to audit matters. We noted that a non-executive Director acted as Board Secretary at a Board meeting in 2023. This is contrary to section 18(1) of the Public Authorities Act. I'm sure you appreciate the importance of Board members not undertaking operational matters, but instead focusing on setting strategic direction and holding management accountable.

Operational matters are the responsibility of the Port Director and his staff, so I'd like to ask you about the reasons or conditions that led to this situation back in 2023.

Mr. Cline Glidden Jr, Board Chairman, Port Authority of the Cayman Island: Thank you, Mr. Chairman.

Mr. Chairman, as you mentioned, I fully understand and accept that it was an oversight on the part of the Board, and as Chairman of the Board, I take full responsibility. As they would have found, we've ensured that those mistakes don't happen again. It was basically a staff member being unavailable at the time, and as we started the meeting, we didn't realise it and continued on in error. I fully accept responsibility, and we'll ensure that it doesn't happen again.

The Chairman: What you're saying is that the Board couldn't find someone else to take the role for the meeting?

Mr. Cline Glidden Jr, Board Chairman, Port Authority of the Cayman Island: Not on short notice.

The Chairman: Okay.

Let me turn now to Ms. Barbara Conolly and ask her to continue the questioning.

Ms. Barbara E. Conolly: Thank you Mr. Chairman, and to our witness, Mr. Glidden, good morning.

My question is value for money for the Christmas party. The Auditor General reported that nearly \$46,000 was spent on the Christmas party, which she deemed excessive, and I think we all can concur. We understand the amount spent was lower than the \$57,000 spent in 2022 and also that the 2023 Christmas celebration was combined with an award ceremony; however, ever it was significantly in excess of the guideline amount suggested by the Cayman Island Government.

We note that the management indicated that this was approved by the Board. As the Board Chairman, can you advise this Committee on how the Board assessed that spending such a massive amount on a party provided value for money for the country?

Mr. Cline Glidden Jr, Board Chairman, Port Authority of the Cayman Island: Through you, Mr. Chair, I thank the member for that question.

The Port Authority and its Board of Directors takes very seriously its responsibility to always act in the best interests of the Board, so when the consideration came for a staff appreciation function and a Christmas party, we sincerely gave consideration to the long, hard-working hours in dangerous conditions that the Port Authority staff partakes in, on an ongoing basis, to ensure that some 97-98 per cent of all goods that are imported to the island are done in a safe and reliable manner. That involves dangerous work and time spent away from family.

I heard the question earlier, about the shifts, and people working through the night. When the Board looked at the end-of-year, it decided that, in light of the fact that the hardworking staff of the Port Authority had

done such a good job under difficult conditions, we felt that there should be some recognition given to them that was reflective of that hard work.

[Due to] the fact that they were also away from their family for extended periods of time, we wanted to have a function that would allow the families to come. We think it's important to have a family-oriented work environment for the staff, and so this gave a chance for the staff members to bring their spouse or significant other and actually allow them to meet and understand the other members of staff they get to spend a lot of time with.

While the government, as a central Government, takes a position gives a recommendation, I guess the short of it is that the Board felt that recommendation was not sufficient for us to be able to do what we felt was pragmatic and practical for the Port Authority staff, therefore, we followed the regulatory requirements—the legal requirements. We got the proposals and got it approved by the Board; again, while it was deemed excessive, as the Port Authority, we felt comfortable that we weren't breaking laws. While it was a recommendation, in this particular case it wasn't a recommendation that would be in the best interest of the Port Authority of the Cayman Islands [to accept].

Ms. Barbara E. Conolly: Thank you for that explanation, Mr. Chairman. Is it the practice then, that every Christmas party, you spend this type of money as a result of a celebration or was it just that particular year?

Mr. Cline Glidden Jr, Board Chairman, Port Authority of the Cayman Island: [Through you,] Mr. Chairman, obviously it will totally depend on the Board; the work that has been done; the challenges that have been met and overcome; the role that the Port Authority plays, and also the financial position of the Port Authority. If the Port Authority is in a good financial position, we wanted to make sure that the staff who contributed to that position were shown appreciation.

Obviously, if we were in a situation where we couldn't afford to do it, or if it was going to put the Port Authority in operational challenges, we would have to do something different, but if we're in a position where the Port Authority is able to meet its expenses and obligations due to the hard work of the staff, we wanted to make sure that they were shown a level of appreciation.

Ms. Barbara E. Conolly: Thank you sir. Could you advise us what was spent on last year's Christmas party—2024?

Mr. Cline Glidden Jr, Board Chairman, Port Authority of the Cayman Island: I can't, because I don't have the information, [but I give an undertaking to have the Port Authority submit the information to the Auditor General's Office.](#)

Ms. Barbara E. Conolly: Thank you, sir, we will appreciate that.

Moving on to the night-shift workers. We ask the Port Director about the situation whereby the night-shift workers are paid time-and-a-half for the hours they work, contrary to their employment contracts. The PAC appreciates that this is a historic issue, but it is important to regularise it so that people are paid in accordance with their contracts. As the Chairman of the Board, can you give the reasons or conditions that led to this historical situation?

Mr. Cline Glidden Jr, Board Chairman, Port Authority of the Cayman Island: Thank you, Mr. Chairman. I guess the uniqueness of my circumstance gives me some perspective as to this situation. It's been an ongoing, challenging situation through various administrations in regards to the split role of having port operations in the day and the night. I'd just like to say that, as you've mentioned, it's been going on for a long period of time and there was a policy decision made many, many years ago that has led to this situation where we have individuals getting paid different wages depending on the period of time they work.

I've heard the questioning and the response that was given—operations do fall under the Port Director, but I think [he gave the undertaking, and I give the same one, to say that there needs to be a clearer policy and obviously the contracts should be reviewed to ensure that they are reflective of what is actually being paid.](#)

Ms. Barbara E. Conolly: Thank you sir, I do agree that the Port Director has indicated that there would be an undertaking that the contracts would be regularised and will then, I guess, go to the Board for approval, so I thank you for that.

The Chairman: Mr. Glidden that concludes our examination of you, sir, as a witness as Chairman of the Board. I want to thank you for attending this morning, and for candidly answering the questions this Committee has asked you. Thanks again for attending, you're excused from this Hearing.

Mr. Cline Glidden Jr, Board Chairman, Port Authority of the Cayman Island: Thank you so much, Mr. Chairman.

[Pause]

**MINISTRY OF PLANNING,
AGRICULTURE, HOUSING,
INFRASTRUCTURE, TRANSPORT,
AND DEVELOPMENT (MPAHITD)**

The Chairman: I'd like to call our next witness into the Chamber: Mr. Eric Bush, Chief Officer, Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development (MPAHITD).

[Pause]

The Chairman: Thank you, sir.

Mr. Bush, good morning. I welcome you to this Committee, and to the examination of this report issued by the Auditor General's Office on the results of their audits of the financial statements of government entities. I think you know the drill, state your name and position once you are set to answer the very first question.

Before I begin, sir, a brief statement from me. The Auditor General's report summarises the financial results and audit opinions of public bodies for the year 2023. The report also provides other information about the financial health of public bodies. We recognise that the 2023 audit for your Ministry is not yet complete, but we wanted to talk to you about the progress to date, and the audit matters that arose during the 2022 audit.

I thank you for giving up your time to attend this morning's witness hearing, as we appreciate how busy you must be— I think you must have one of the largest ministries within the government. I'm going to turn things over to Ms. Heather Bodden, who will begin the questioning.

Thank you, sir.

Hon. Heather D. Bodden: Thank you, Mr. Chairman.

Good morning Mr. Bush. In the 2023 general report, as in past years, the Auditor General draws her attention to issues regarding the quality of financial statements and the volume and value of audit adjustments. This applies to many entities, and it is an issue for your Ministry. We understand that so far, for the 2023 audit numerous audit adjustments have been made, totalling over \$5 million. We also noted that the 2022 audit produced over \$11 million of adjustments.

The Chairman referenced the size and complexity of your Ministry, and we were told that two of your departments have been particularly problematic in that regard. There are audit concerns in many areas including:

- the adequacy of some review processes;
- the quality of audit schedules;
- the undertaking of timely clearance of bank reconciliation items; and
- the controls over inventory and compliance with legal requirements.

Can you give the process of managing the finances of the Department and the overall Ministry?

Mr. Eric Bush, Chief Officer, Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and

Development: Good morning, Mr. Chairman and Committee members. Thank you for the question. My name is Eric Bush, I'm the Chief Officer for the Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development. Thank you very much.

Through you Mr. Chair. As previously stated and acknowledged in the report, the Ministry is vast, it is complex, it is varied; that doesn't excuse the fact that we continue to have these many adjustments, as identified in 2022. I believe section 48, in page 20 of the report it refers to, "**The 2022 audit for MPAHITD resulted in more than 40 adjustments worth \$3.4 million.**"

Taking full note and acknowledgement of that I've been advised that, understanding that our audit for 2023 is still ongoing, so far, we have 21 adjustments with a total value of \$2.8 million— Mr. Chairman, by no means am I trying to debate the numbers. I'm simply giving you what's in the report and what I've been advised.

In relation to the two departments noted, one of those, for the Committee's edification, is the Department of Agriculture. In my opinion, after being the Chief Officer for two-plus years now, the issue at its core is that the Department of Agriculture is the only Department within central government that:

- procures commodities;
- imports them;
- stores them;
- creates an inventory; and
- sells them to the general public, namely farmers and farming services in support of the farming industry.

This is essentially the rub; it is worth over \$7 million per year of economic activity, and historically we've found ourselves struggling to adequately run this business. I'm being totally honest with you.

I commissioned a report through a competitive procurement process, and PriceWaterhouseCoopers has completed an organisational review of the Department of Agriculture and really dug into the issues that the Auditor General helpfully identified in 2022. I also asked the Internal Audit Department to assist us and they provided their recommendation which, at its core, was that we're in a business that we're not used to being in. The recommendations being taken forward are that the commercial arm of the Department (farming assistance and farming services)— and this is a political decision— be outsourced, or at the very least, separated from the regulatory and expert services the Department of Agriculture is mandated, by law, to facilitate.

That being said, Mr. Chairman, in the last year alone, we've hired four accounting staff for the Department of Agriculture in the restructure, one being a Financial Accountant. We are also hoping to successfully recruit a Senior Financial Manager within this department, noting the historic issues we've had because, even though the ministry is very large, different and

complex, and even though we are facilitating a business that is unlike any other business in Core Government, we have to be answerable for government funds. When audited reports are presented to the Auditor General, they should be clean; they shouldn't require 21 adjustments totalling \$2.8 million.

This is something we have been actively working on; hopefully, we've identified the core issue and can address it going forward.

Hon. Heather D. Bodden: Thank you, Mr. Chief Officer for being so very candid. That leads me into my next question with regard to the Department of Agriculture [whereby] we've identified a lack of controls over the following:

- Cash collection;
- The counting and recording of inventory;
- Lack of a policy for setting credit limits for customers; and
- Large amounts uncollected for agricultural supplies.

Mr. Eric Bush, Chief Officer, Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development: Through you, Mr. Chair: thank you again for the question. Yes, as identified, all of those have to do with the commercial component of the Department of Agriculture. The credit that the Member spoke of has been an issue historically, so we have put an end to that: it is cash and carry.

In terms of the controls, with the hiring of the accounting staff we believe we've strengthened the inventory control as well as the cash and cash management which were identified in 2022 and continued to be an issue.

Hon. Heather D. Bodden: Thank you, sir. I want to ask the Chief Officer: how are some customers able to continue to receive agricultural supplies, if they are not making any payments to settle their old debts?

Mr. Eric Bush, Chief Officer, Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development: The Government made a decision to first, stop the credit, but allow individuals who still owed the Government to continue on a cash-and-carry basis.

Hon. Heather D. Bodden: Sir, I'll pass it on to my colleague now.

Ms. Barbara E. Conolly: Thank you. [Through you to the witness]: Mr. Bush, how are you going to collect the large sums of money still outstanding? Do you all have a plan in place?

Mr. Eric Bush, Chief Officer, Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development: Through you, Mr. Chair: yes and no.

The reason [being] that some of this debt is two decades old, [and] some of the individuals the debt is applied to are no longer with us thus, there is a recommendation to write it off.

In terms of debt collection, our friends in the Debt Collection Unit in the Ministry of Finance have been trying in earnest to collect the sums owed. In terms of stopping the bleeding, Mr. Chair, we've stopped the credit.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development and Ministry of Health: Mr. Chairman, if I could have a brief word to substantiate what Mr. Bush has said. The Ministry of Finance recently received a Cabinet Paper recommending the write off of a fairly significant amount of old debt approaching \$2 million, so I can confirm that the request has been made—we have not given our input into the Paper, but we will.

We are obviously pleased that going forward, we should not have a recurrence of significant accruing debt owed to government because we are now adopting a cash-and-carry basis for getting supplies.

The Chairman: I'm glad to hear that evidence given to us this morning because I've been aware of the issues with the Department of Agriculture and the purchasing and selling of items for the farmers for some time.

Mr. Bush, are there any other issues? I think you've given clear evidence of the challenges with operating the commercial side of the Department of Agriculture, but do any other issues exist, which are preventing the completion of the 2023 audit for your Ministry?

Mr. Eric Bush, Chief Officer, Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development: Mr. Chair, I'm advised there is nothing material outstanding.

If I could say, the 2022 audit of our Ministry was delayed; the 2023 is, again, delayed, and it's fully accepted its issues and adjustments on the Ministry's side. What I would ask is whether we can agree to double down on 2024 so we can stop this vicious chain of delaying, delaying, delaying because I think it is compounding itself. *Whatever needs to be done by me, or the Chief Financial Officer (CFO), or any member of the Finance or PAHI teams, to conclude 2023 and look towards 2024 being submitted, reviewed, and closed out in time, I publicly undertake to do it.*

The Chairman: I do appreciate that as well. Thank you for that. Do you have any sort of timetable as to when you think you're going to finish and get the 2023 accounts signed off?

Oh, Auditor General.

Mrs. Sue Winspear, Auditor General, Office of the Auditor General: Yes, to be fair to Chief Officer Bush, it [the audit] is with us, we're getting towards the end of it. We anticipate that by the end of next month we will have signed off for 2023.

Like Chief Officer Bush, we absolutely want to be in a place where 2024 gets us back on track because, as he quite rightly said, the issues experienced in 2022, particularly around the Department of Agriculture, caused many issues; and I'm pleased to hear that action has been taken to resolve those.

Thank you, Mr. Chairman.

The Chairman: Thank you for that, Auditor General.

Hon. Heather D. Bodden: Thank you, Mr. Chairman.

Back to you, Mr. Chief Officer. Would you give us reasons why the Ministry reported a deficit in 2023 and every year in the four years before that?

Mr. Eric Bush, Chief Officer, Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development: Through you, Mr. Chair: thank you for the question.

I believe it is covered in Appendix B whereby it has 2019 to 2023. In the 2023 section, there is a deficit of \$1.478 million— noting that the 2023 audit for the Ministry is still to be closed out. The latest information I have from my CFO is that the deficit is about half a million dollars less, again, from adjustments. The material reason for that, I'm told, is a depreciation discrepancy as well as writing off bad debt from internal customers for about \$350,000.

As you know, one part of the Ministry is to offer either professional services or commodities to internal government, and it seems that through a conversation with the finance team and the Auditor General's Office, it was advised and agreed that \$350,000 of bad debt should be written off in compliance with accounting principles.

Hon. Heather D. Bodden: That's the last of my questions, Mr. Chief Officer. I'd like to thank you and your staff for attending this morning. God-bless.

The Chairman: Questions from anyone else? I have one. In addition to your CFO, how many other accounting staff do you have working in the Ministry?

Mr. Eric Bush, Chief Officer, Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development: Thank you, Mr. Chair. Just for clarity, within the Ministry itself it would have been easy to answer— we have six.

Within the Departments, they have various levels of accounting staff. It's different depending on the budgets and the complexities, so I don't have the exact number of financial staff within the entire Ministry, but just within the core Ministry it is six: the Chief Financial

Officer, two Deputy Chief Financial Officers and three other support staff in various levels of accounting.

The Chairman: I do appreciate that. That was the information I was trying to solicit from you, so I thank you for it, and I thank you for appearing before the Committee today to give the evidence that you have. We appreciate your time and your effort. Thanks, again, for being here this morning.

[Pause]

The Chairman: I would like to call our next witness to appear before the Committee, that is, Mrs. Cindy Scotland, Chief Executive Officer (CEO) of the Cayman Islands Monetary Authority (CIMA).

CAYMAN ISLANDS MONETARY AUTHORITY (CIMA)

The Chairman: Good morning, Mrs. Scotland. I welcome you to the Public Accounts Committee hearing this morning, examining the Report of the Auditor General. I know you've appeared before and you know the ropes, so when you answer your first question, please state your name and your position so it is recorded properly in the *Hansards*. I'm going to make a brief statement and then my colleague, Mr. Joseph Hew, will lead off questioning you in terms of this section of the report.

The Auditor General's Report summarises the financial results and audit opinions of public sector bodies for 2023 and provides information about their financial health; it also draws attention to several key audit matters. I want to congratulate CIMA on getting an unqualified audit opinion, and make it abundantly clear that CIMA is highly regarded in terms of its management and leadership, both financial and otherwise, so I don't want there to be any [doubt] as to how we uphold the work that CIMA does and appreciate the leadership team. You all are held in the highest of regards.

The main reasons we have invited you as a witness are to understand more about the impediments to implementing section 47 of the Public Authorities Act, and discuss CIMA's financial position and results for 2023. I thank you for being here today, knowing how busy you are. My colleague Joseph Hew will now lead the questioning.

Hon. Joseph X. Hew: Thank you, Mr. Chairman, and good morning to Mrs. Scotland. Through you: Mrs. Scotland, in the Auditor General's Report of 2023, as in previous years, the Auditor General draws our attention to issues regarding the implementation of Section 47(1) of the Public Authorities Act.

As you know, this section of the Act requires public authorities to use the same salary scale as the

Cabinet determines, which is the civil service pay scale. It then requires that employees' remuneration be adjusted to reduce any pay differences. CIMA is the largest of the three public bodies that have not yet implemented this section of the Act. From last year's PAC testimony, we understand that the Portfolio of the Civil Service (PoCS) completed an evaluation of CIMA's salary grades compared to the civil service pay scale.

Understanding all of that, my question to you is why has CIMA not yet made the pay adjustments to implement Section 47 of the Public Authorities Act.

Mrs. Cindy Scotland, Chief Executive Officer, Cayman Islands Monetary Authority: Good morning. Cindy Scotland, Chief Executive Officer for the Cayman Islands Monetary Authority.

Mr. Chair, thank you for the kind words. We actually find ourselves in unfamiliar territory because in my 34 years I don't think that I've ever been to PAC; nevertheless, I am pleased to be here and to be given the opportunity to explain. I note that I only have 30 minutes, and this particular question alone could take three days to discuss. I'm going on the assumption that when we speak of section 47 we're only referring to section 47(1) which deals with the salary scales, because I don't know if anyone has truly implemented the entire section 47.

Mr. Chair, as far back as 2015, the Authority has been writing and expressing its concern on the Public Authorities Act, and what the implications would be for CIMA as a statutory authority and one that was set up specifically to adhere to international standards to ensure operational independence—section 47 cuts at the heart of that independence. Having said that it is an Act which we must adhere to, and so we have been making strides to try and get there while mitigating the impact that it will have on us.

Through the commitments made by this jurisdiction—not by CIMA, but by this jurisdiction—to adhere to various international standards, CIMA has to ensure at all times that we advise Government when we feel that we are going afoul of those commitments. At the end of the day, the government has a decision to make, and I feel that's where we are with section 47.

[When] we received the proposed salary scale from PoCS, we immediately took an analysis of what [a] transition onto it would look like for CIMA. The results were that 64 of our employees would be “red circle”. That means that there would be no salary growth potential for those 64 employees. I note that of those 64 employees, 66 per cent were Caymanians. I also note that 36 per cent of those were at a deputy head level and above.

In the category where we had less than 10 per cent room for salary growth, we had 138 employees who would be impacted; 62 per cent were Caymanian; 11 per cent were deputy heads and above. We had a third category where there was more than a 10 per cent room for salary growth, but within two years that growth

would have been used up. That impacted 81 employees of which 91 per cent were Caymanian, and 11 per cent were at most levels ranging from the receptionist up to a deputy head.

The immediate concern for us in looking at those numbers was the fact that we would have a brain drain within CIMA in a short period of time because most of our experience is at deputy head level and above, so it would be hard to expect those individuals to continue in a job where:

1. They are either frozen; or
2. Their purchasing power has been significantly reduced.

We then looked at the cost of implementing, ensuring that equivalency was held with Core Government. That meant we had to revert on a decision taken by CIMA over two decades ago as it relates to pension. CIMA, sir, currently pays 100 per cent pension only for 13 staff members. If we were to implement section 47, we would revert to paying 100 per cent pensions for the entire 306-and-growing number of employees.

We also had to look at health insurance. We currently have a sharing of cost where CIMA pays 86 per cent of the premium and the staff pays 14 [per cent] and the staff bears the cost of any deductible and co-pay. That, of course, would have to change where we would bear the full cost of the premium and we would have to ensure that staff were reimbursed for any co-pay or any deductible. Under the current insurance plan, we have 293 full-time employees who are covered, and 247 dependents; however, moving to a plan where all cost is paid for by the employer, we are 100 per cent certain that those numbers would go up, because spouses and everyone else would then seek to be under the plan where they bear no cost.

Just looking at the number of staff as at the end of December—that number would obviously grow as we continue to grow—we were looking at an additional \$3 million per annum, and that's being conservative because we don't know what the increase [would be]. It would increase based on the number of staff and it would increase based on any change in premium for health insurance.

An additional cost for us look at, which is perhaps the most significant, is that we would then have to offer all employees, based on certain criteria, post-retirement health benefits. As it currently stands, CIMA only has a legal obligation to provide post-retirement health for 10 staff members. With the implementation of section 47, this could likely increase to over 200 persons—and I note that CIMA has 72 per cent Caymanian staff. I think it is safe to say then, that the re-measurement of the post-retirement health benefit obligations would significantly increase, and certainly dilute the surplus that we've seen in this same report.

Mr. Chair, for the record, I'd like to say at this point that CIMA has never implemented a salary review or new salary bands without having consulted with our Ministry, and I've been there 34 years this month. The

last one was done back in 2016, and at that time, we took a phased approach. The first stage was that we made the adjustments to the staff at the lower end; the second phase was to bring everyone else in line with the new scale, but we have never done [it] without consulting or advising the Ministry, and we have never done it in a way that has required additional funding.

While we are making every effort to implement section 47, we must advise that we have grave concerns about the impact. We are of the view that once implemented, CIMA will lose a significant number of staff within 12 to 24 months, and will not be able to attract the quality of staff it requires. I want to also give an example: if we adopt the new scales, and you have someone whose contract comes up for renewal, I can only negotiate with them based on the new scales—the government scale. It will be difficult for someone to accept to do the same job with a compressed salary scale, when they already are of the view that they're underpaid for the job that they're doing, because we are operating at only 72 per cent capacity, so everyone does more than what their job description says they should do. We know immediately that's the first challenge we will have, convincing people to do a job where they know that their earning potential has been reduced.

It is also important to note that this will happen on the heel of the upcoming Financial Action Task Force (FATF) fifth round [of evaluations]. We were just removed from the grey list and as a jurisdiction, I think in this instance I am safe speaking on behalf of the jurisdiction—which I don't do—to say that we do not want to find ourselves back on that list. When FATF comes, it will not just be about the number of staff that you have, it will be about the calibre, the quality, the skill set of that staff. If we are already challenged on the current pay scales that we have to attract those people, it would be even more difficult, sir, to do so under a salary scale that's compressed.

CIMA remains of the view that the Public Authorities Act section 47 should be carefully reviewed at this time, and a solution found that all parties can agree to. We have no objection to the Public Authorities Act, that's not our role; but we have to say when something creates a difficulty. Like I said at the beginning, we have a right to advise the Government on what the implications of that are, and we honestly feel that the implications of section 47 are far reaching for us not just as CIMA domestically, but from an international standpoint, but we are making efforts.

We've just awarded a contract to the successful bidder to do a market review which will mean looking at the job descriptions, and that will form part of our proposal to government as to how we move forward with the implementation of section 47.

The Chairman: Can I ask a question with regard to what you just said? How long do you think it will take for that review to be completed and the results known

to CIMA, so that they can advise or discuss with government?

Mrs. Cindy Scotland, Chief Executive Officer, Cayman Islands Monetary Authority: We had an opening meeting yesterday and I think we're looking at between 17 to 20 weeks, so I would certainly say by mid-year. I certainly am getting tired of discussing section 47, so 2025 would hopefully be our year to resolve the issue.

Hon. Joseph X. Hew: Through you, Mr. Chairman: Thank you, Mrs. Scotland for that detailed explanation.

I am aware, having been a Member of the executive before, [of] the challenges there and they are very industry specific in where your cost and the competition is driven by external forces and an industry which is continuously evolving, so you have to evolve your staff complement to keep up with it. We can probably see the same thing in HSA and other places. Certainly, when we talk about our monetary authority and the wonderful reputation it has, or when we talk about the doctor we go see at HSA, we don't want to think that we're just getting what we're paying for, and if you go to a salary scale like that, if you're actually able to recruit, you're not recruiting at the level that you would like to have handling the Authority.

It is obvious to me that the government, and perhaps the next government at this stage, should make it a priority to look at it, because I'm sure it's not just the Monetary Authority. I think HSA and others are facing the same issues from this in recruiting persons based on the salary scale, and I guess what I'm hearing from you is that there has to be a review of section 47(1), if not, at least the ability for exemptions.

Until then, it has to be on a one-off basis where you notify the Government that *"Listen, the only way I'm going to fill this position is if I'm able to move out of this scale bracket."*

Mrs. Cindy Scotland, Chief Executive Officer, Cayman Islands Monetary Authority: Mr. Chair, through you: the difficulty is that it's not a one-size-fits-all legislation, right? Each statutory authority and government company (SAGC) was established for a different reason. They're all different creatures.

CIMA requires a skill set that can't be found locally and those that you find locally are ones that we've trained ourselves, so I think that there's no objection to say that Cabinet has to approve our salary scales. We don't operate in a vacuum; Government is our shareholder. The problem is when you try to fit us on a scale that we don't think reflects what the organisation needs. That's why I say that I think it needs to be reviewed to find a solution that:

1. Gives the Government the comfort that it needs; but
2. Allows to continue to attract the calibre of people that we need to work at CIMA.

If we are to remain in this game called Financial Services, it is an expensive game, and it is one where we want the best and you're not going to get them... Like I said, we have challenges with the current scale that we have, so it will be only natural to assume that it's going to be worse if that scale has been condensed.

Hon. Joseph X. Hew: Thank you for that.

Through you, Mr. Chairman: I'd like to move on to something a bit more positive now, that being your financial performance; an opportunity for you to talk about the profits that you've posted. I mean, if you look at Exhibit 20 on page 38 of the report, it shows that CIMA has made a healthy profit in each of the past five years. In 2023, that profit jumped considerably to nearly \$22 million. In the same Exhibit, we noted ten other SAGCs making losses.

At this time, I would invite you, Mrs. Scotland, to talk about some of the main factors that contributed to such healthy performances, in particular, the \$22 million profit in 2023.

Mrs. Cindy Scotland, Chief Executive Officer, Cayman Islands Monetary Authority: Thank you. Mr. Chair, through you: the surplus that we enjoyed in 2023 was driven mainly by two things:

1. An increase in the interest income; and
2. An exercise carried out by our Investments Team to collect fees from directors which were outstanding for many years.

I must go on record thanking the team, because it was a very tedious and time-consuming job, but they did it. Those two factors are really what contributed to the surplus.

Hon. Joseph X. Hew: Thank you. Through you, Mr. Chairman. I'm assuming that level of the profit wasn't planned based on you making the efforts to collect. Is it fair to believe, then, that we don't expect the same trend or level of profits in future years?

Mrs. Cindy Scotland, Chief Executive Officer, Cayman Islands Monetary Authority: I think you'll see a profit, but no, I don't think it will be at that level. Having said that, there are still some fees outstanding. The question is whether those are recoverable; we'll be looking at it in the next couple of months.

Hon. Joseph X. Hew: Finally, on the subject for me: is CIMA compliant with the dividend policy, and have they ever paid back their profits to the Treasury?

Mrs. Cindy Scotland, Chief Executive Officer, Cayman Islands Monetary Authority: We were exempted from the dividend policy... I want to say back in 2019, simply because I think sections 9, 10 and 32 of the Monetary Authority Act require that, once we have provided for all of our necessary reserves, the balance is

to be paid over to the general revenue of the Islands, so that provision is already in our Act.

Yes, we have paid back to government and, because I figured it would probably be asked, I'd like to say it even if I'm not asked. For the fiscal year 2019, we had given government a dividend of \$5 million; 2020 it was \$2.75 million, and for 2023 it was \$3 million.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development and Ministry of Health: Mr. Chairman, I can certainly confirm receipt of the most recent one of \$3 million. The Treasury got it, and the earlier years as well, but the most recent one is the one I remember the most, obviously.

Mrs. Cindy Scotland, Chief Executive Officer, Cayman Islands Monetary Authority: And he cashed the cheque for the other two.

[Laughter]

Hon. Joseph X. Hew: Thank you for that.

Mr. Chairman, through you, I'll move on to my final line of questioning which has to do with the Procurement Act— paragraph 58, page 23 of the report.

We recognise that generally, CIMA's procurements are well managed and compliant with the Procurement Act and its Regulations; however, the Auditor General raised four examples in paragraph 58, page 23: legal consultancy services for \$163,000, and three purchases of services [valued] at \$103,000, \$129,000 and \$120,000 made without approvals being obtained from your Entity Procurement Committee.

What are your plans and actions to ensure that compliance with the Procurement Act and Regulations are followed?

Mrs. Cindy Scotland, Chief Executive Officer, Cayman Islands Monetary Authority: Thank you.

Mr. Chair, through you: firstly, with regard to Legal Services since you specifically cited that one, that's always a difficult one. In the instance that is noted in the Auditor General's Report, we found ourselves in unfamiliar territory where there was a global event and a licensee was in trouble and because of the structure and the type of license, we had to seek legal advice that was not in this jurisdiction. It was based on US law, so we had to find a firm in the US. Unfortunately, we were fighting against time, and so we simply found someone who had a *nexus* to Cayman, who had done work for the government before and, once we were satisfied that they had the expertise, we utilised them. Everyone who would be involved in the procurement process was involved in that process, but we didn't tick the boxes and do it the right way so for that, we take full responsibility.

However, what we've done since then is centralised all procurements through one of our Divisions,

and I have asked them to start providing me with bi-annual reports on where we are with procurements—What procurements have we done for the first half of the year? Are we in compliance? Have we checked all the boxes? Did we do what we were supposed to do? We've also widened the pool of persons receiving training on procurement, because even though there is an internal procurement committee, usually these things start at a divisional level so ensuring that at least the Heads and the Deputy Heads are aware of what the obligations are under the Act and the Regulations.

We have also agreed that we're going to amend the training requirements to make them mandatory annually, and that we continue then to ensure that [for] people who have left, whoever replaces them gets the necessary training. We are kicking it off with training, by our own legal people, in the middle of February, I think—I don't know the exact date—where they will offer training to the staff, including me and my deputies, on what the Procurement Act calls for, what it requires of us, what we need to do. After that, staff will be required to take the various training sessions that the Procurement Office offers.

We're also developing a procurement framework in the area of legal advice and any other areas related to enforcement measures which does not hamper our ability to act quickly, but meets the intent and the spirit of the law.

Hon. Joseph X. Hew: Through you, Mr. Chairman: I want to thank Mrs. Scotland for her detailed and well-presented answers. That's all for me, thank you.

The Chairman: Questions from other Members? Let me conclude then.

Mrs. Scotland, I want to go back and ask you about something you said during the course of your testimony. I think you said that you are at 72 per cent of your [staff] capacity?

Mrs. Cindy Scotland, Chief Executive Officer, Cayman Islands Monetary Authority: Well, we're currently at 306 or 309 staff and we have 400 approved up until the end of this year, so we're operating at 72/73 per cent capacity.

The Chairman: Do you have ongoing plans to try and fill these vacant positions? I know you're facing 5th Round Mutual Evaluation very shortly. I know the risks here.

Mrs. Cindy Scotland, Chief Executive Officer, Cayman Islands Monetary Authority: Recruitment is ongoing, sir, it never stops.

The Chairman: Okay. I appreciate that candidness and I thank you for your testimony before the Committee this morning.

You've been very forceful in presenting your positions and enlightening the Committee, [and] I believe the public, also, will have a better understanding of the challenges and positions that you face. I want to thank you for your presence this morning. We'll go ahead and excuse you from the Committee at this time.

Thank you, again.

Mrs. Cindy Scotland, Chief Executive Officer, Cayman Islands Monetary Authority: Thank you, sir.

[Pause]

The Chairman: I would like to call our final witness into the Chamber. Mr. Garth MacDonald, Chairman of the Board of the Cayman Islands Monetary Authority.

[Pause]

BOARD OF DIRECTORS CAYMAN ISLANDS MONETARY AUTHORITY

The Chairman: Good afternoon, Mr. MacDonald, welcome to today's Public Accounts Committee Hearing on the Government's Financial Reporting for 2023. When I ask you your first question, please state your name and position just for the record.

Before I start questioning, I would like to make a very brief opening statement. I want to thank you again for appearing as a witness today. As we already stated to your CEO, we want to congratulate CIMA on receiving an unqualified audit opinion. We also want to make clear that we regard CIMA as a highly capable entity in terms of its financial management and reporting, and its leadership generally; however, we are keen to explore with you the Board's perspective on a couple of matters raised by the Audit. I will lead off the questioning with regard to these matters with you.

We heard much from your CEO with regard to the challenges and difficulties faced in the implementation of the Public Authorities Act section 47, but in the 2023 report, as in many past years, the Auditor General draws our attention to issues regarding the implementation of section 47 of the Public Authorities Act. This section of the Act requires public authorities to use the same salary scale as the Cabinet determines which is the Civil Service pay scale. It then requires that employee remuneration be adjusted to reduce any pay difference. CIMA is the largest of the three public bodies that have not yet implemented this section of the Act and we just heard from the CEO about the issues CIMA faces in implementing section 47. I'd like to hear from you as Chair, what is the Board's perspective on what has caused the delays in implementation of the Act.

Mr. Garth MacDonald, Board Chairman, Cayman Islands Monetary Authority: Good morning, Mr. Chairman [and] Members. My name is Garth MacDonald, I'm

the current Chairman of the Cayman Islands Monetary Authority [and] I've been in that role since March 2022. Prior to that, I served as a director for a three-year period, I believe it was 2015 to 2018.

With regard to your question Mr. Chairman, the current board and prior boards of CIMA have always had concerns with section 47(1) of the Public Authorities Act. Those concerns were both operational and macro; when I say macro, I mean potential impacts on the jurisdiction's financial services industry. This dates back to the consultation process which I believe kicked off in 2015 and a memo was forwarded by CIMA's board expressing their concerns. The three major concerns were:

1. It would hinder CIMA's ability to recruit and retain qualified specialist staff, both domestically and internationally;
2. It would undermine CIMA's independence which is a requirement by international regulatory bodies, most notably, the FATF; and
3. There was also a concern that the process for evaluating and scoring the positions wasn't as transparent as it could have been and didn't take into account all the factors.

These concerns have been subsequently communicated I think, by the last three boards which I wasn't a member of, and if anything, they've only been magnified with all the pressure on the jurisdiction from the likes of the FATF and the growing financial services industry.

The Authority has always maintained with PoCS that having a unilaterally imposed salary scale interferes with its operational independence. It also was concerned that the implications of other benefits weren't properly taken into account, mostly, pensions, health care and post-retirement benefits. There is also a concern from the board level that unilaterally imposing a pay scale on existing employees could give rise to complications, and the concern that it could disproportionately impact Caymanians on a career path within the organisation.

I think you were told earlier, that CIMA is challenged with recruiting and retention of staff, currently operating at 75 per cent capacity. In all the time I've been a member of the board and sat on the human resources subcommittee it's always been brought up at meetings; it's a challenge. Implementing section 47(1) in its current form will only make matters worse. We have an upcoming 5th Round [Mutual] Evaluation by the FATF, I believe, it starts in 2026. They will look heavily at the effectiveness of Regulation, if we don't have competent, qualified staff that could be a red flag. We currently have a salary scale and this predates my tenure on the board as chair, but I believe it was shared with the Ministry back in 2018 or 2019.

We are also undertaking a full review of that salary scale to see what needs to be looked at given the current environment. It's challenging recruiting staff,

because they are in demand everywhere. With the increased oversight when it comes to financial services, professionals can pick and choose where they go to work, so we need to remain competitive to attract them whether it's locally or from overseas. We hope to have that survey done by summer at which time the CEO would be in discussions with the Ministry. That's all I have for now.

The Chairman: There was much food for thought there, Mr. MacDonald. I thank you for that clarity and the information you have provided. I'm not sure that the questions I had as follow on are really relevant because you've said so much. Between what you have provided, and what your CEO provided to us earlier, I'm satisfied that we have solicited and obtained satisfactory information from you.

You mentioned, and so did your CEO, that only 72 per cent of your positions is filled, and that recruitment is always an ongoing process for CIMA in trying to fill these vacancies. Can you give us your thoughts on how likely you will be able to fill these positions in advance of the 5th Round Mutual Evaluation that will take place in 2026? It seems to me that the time frame for that now is getting quite compressed.

Mr. Garth MacDonald, Board Chairman, Cayman Islands Monetary Authority: Thank you for the question, Mr. Chairman.

The Board has a subcommittee which deals with human resource (HR) matters. It meets quarterly with the HR team in CIMA [and] reviews a very comprehensive HR report which details everything from successful recruiting to unsuccessful recruiting and then looks for solutions to improve it, whether it be through the medium they advertise for jobs or community outreach.

We know, practical reality, we cannot compete with salaries in the private sector, and I don't think we will ever be able to, so we have to always be aware of offering careers within the organisation with a work-life balance and other benefits that aren't solely salary related.

The Chairman: I'll turn it over to Ms. Conolly.

Ms. Barbara E. Conolly: Thank you, Mr. Chairman.

Through you to our witness Mr. MacDonald: on financial performance, Exhibit 20, on page 38 of the Report shows that CIMA has made a healthy profit in each of the past 5 years but in 2023 that profit jumped considerably to nearly \$22 million. I know Mrs. Scotland indicated that an increase in interest income, as well as the collection of director's fees, contributed. Can you as the Chairman of the Board indicate what are the Board's processes for monitoring CIMA's finances?

Mr. Garth MacDonald, Board Chairman, Cayman Islands Monetary Authority: Thank you for the question.

Through the Chair: we have quarterly meetings and we also have an Audit and Finance subcommittee of the board which meets with the CFO and her Financial Team every quarter to review the results and keep tabs on progress and the Board's budget.

There are three things that contributed to the large surplus in 2023:

1. The collection of Directors Registration and Licensing Act, 2014 (DRLA) fees; an exercise was undertaken by the management team.
2. The rapid rise in interest rates which allowed the investment account that backs the currency to earn better returns.
3. The third goes back to the human resources question because we have budgeted 400 positions but we've only filled 302, I believe.

Ms. Barbara E. Conolly: Thank you, sir, for that explanation. Can you as the Chairman indicate what the Board's expectation is for CIMA's profits for 2024 and 2025?

Mr. Garth MacDonald, Board Chairman, Cayman Islands Monetary Authority: Through you, Mr. Chair: the budget process is very comprehensive with the government. It's very labour intensive and we have sight of it at the Audit and Finance subcommittee. We always budget for successful recruiting; we do not want to be in a position of having to come back to government mid-year looking for supplementary finance so I believe the budget for 2024 is either—I hesitate to give a number as I wouldn't want to give an incorrect number, but it will not be at the level seen in 2023 because those things have now been fully factored in.

Ms. Barbara E. Conolly: Thank you, sir. That's the end of my questioning, Mr. Chairman.

The Chairman: I chatted with my colleague as you were responding to Ms. Conolly's question, and I think we're going to end it here, Mr. MacDonald. The same information you've given to us throughout matches and dovetails so nicely with evidence given by your CEO. so we're feeling that there's little point in us soliciting the same information again from you. I'm going to excuse you and bring the Hearing to a close because I think we have heard much information from you and your CEO with regard to the issues that we had to discuss with you this morning.

I want to thank you on behalf of the Committee for appearing and thank you, too, for the candid way in which you have answered our questions. I think we do have a better understanding of the real and significant challenges you face. Thank you again for appearing here this morning; you're excused, sir.

Mr. Garth MacDonald, Board Chairman, Cayman Islands Monetary Authority: Thank you, Mr. Chairman and thank you, Members.

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

Public Service Pensions Board

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development and Ministry of Health: Mr. Chairman, I want to beg your indulgence for a short moment for a pretty important matter, I believe. I just want to try to clarify an important area concerning the Public Service Pensions Board.

I start by saying, that I'm in no way questioning the accuracy of the Audit Office's numbers at all; I'm not doing so, but the Committee will notice on page 38, Exhibit 20, for the entire five-year period from 2019 to 2023, in every single year there is a deficit shown, and that's actually repeated in the narrative in the Auditor General's Report as one of those SAGCs that consistently make deficits.

What I wanted to say was that we have held out in this House, and it's stated publicly, that the Public Service Pensions Board does a marvellous job in its performance so, on the surface, this would seem to contradict that. If you were a pensioner and you actually read this, you should be a bit concerned if your pension fund provider is making deficits; you should be concerned if you are a public sector entity that is perhaps seeking to join the Pension Fund—which there are one or two that are thinking about it. To try to appease those people who may be concerned if they happened to read this, is to say that the deficits stated here are quite specific to one area of the Pensions Board's operation. They are referring to the administrative expenses of the Pensions Board which in 2023 were about \$6 million; just the administrative expenses.

I think the solution may be, Mr. Chairman, that the wording in the Act as to what should be audited can be clarified so if you take the performance of the Pension Funds as a whole—and there are three of them—you certainly get into a significant surplus situation. I just happened, Mr. Chairman, very quickly to pick up an extract of the 2023 accounts of the Pensions Board and we see that the pension contributions coming in that year were \$74 million; they paid out \$51 million in pension payments to members so that left them with a surplus of \$23 [million]. The investment income, Mr. Chair, is extremely substantial. As an example, the realised gains on investments during that year were almost \$109 million, and yes, there were significant unrealised gains as well, so in the next year that could be the other way as well.

When you put everything together including the administrative expenses of \$6.132 million that's mentioned as a deficit in the Report, if you collapse the revenues and the expenses as all one, then we are talking for 2023 an overall surplus of around \$190 million so I just wanted to make that observation [and] try to reassure public servant pensioners that all seems to be well. The Public Service Pensions Board is a billion-dollar organisation and the value of its assets, of course, affected by stock market valuations and so forth, is probably approaching US\$2 billion now, so that's the olive branch that I would offer.

To reconcile what's stated in the Auditor General's Report and what's in the Annual Report of the Pensions Board, we should relook what the audit encompasses.

The Chairman: I appreciate that clarity Financial Secretary, and thank you very much for that.

With that being said, we are going to break now for lunch; it's 12:25 pm by that clock. Let's take an hour and be back at 1:30 pm and we will examine the second of the reports that are before us.

Thank you all.

Hearing suspended at 12:28 pm